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## Conference Overview Discussion

*Moderator: Mark Drabenstott*

**Mr. Drabenstott:** Let me ask Richard and Fabrizio to come back and join Stan. As is our custom, we will take three questions or comments at a time. At this point of the discussion, we would particularly encourage comments. We would like you to share with us what you are taking away from this conference and the burning questions that you would like to have some comment on before we all leave.

**Rusty Cloutier, *Mid South National Bank, Lafayette, Louisiana:*** I am vice chairman of the Independent Community Banks of America. I appreciate Richard's comment about the banking system in England. We in this country a few years ago came up with the Financial Modernization Act to make this country more like England and Japan and some of the other countries with their very centralized banking system. I think it is very important for us to protect our community banking system. When in a small town like Newman Grove, Nebraska, with 800 people, you lose your \$30 million local community bank, and a mega bank comes in and later shuts down your branches, some serious problems are going to arise. It is very important for us to continue to keep an active part in the local communities.

I will give you a step that could help there. We at the Independent Community Banks are working on having deposit insurance raised above \$100,000. We think that is very important to keep funds in the local communities. Because, if they are not in the rural areas, believe me, you are not going to get a mega bank coming in to make a loan for 20 jobs. That is

very, very important. We would appreciate your support in all of your communities of that proposition.

A second thing, being from Louisiana, that we must not forget about in rural America is energy. We have a lot of water. We have a lot of ability to have power available. I don't know if anybody heard Vice President Dick Cheney's comments last night that, if they built one power plant a week for the next 20 years, it still wouldn't keep up with the demand. There are going to be a lot of states asking the same questions: If we can generate power and if we have water like we have with the Mississippi, why shouldn't the industries move here rather than us sending our resources out to other parts of the country to meet their needs? I am sure that is just as important in Europe in dealing with the resources that are so important today.

**Thomas Johnson, *University of Missouri, Community Policy Analysis Center:*** I want to thank all of the speakers, but I want to thank you, Stan, for really bringing out some very good points that were sprinkled throughout the other presentations—in particular, your reference to place. At last year's conference sponsored by the Center, one of the themes was that some rural communities are doing better than others, that failing rural communities have the obvious problems that we talked about; but the succeeding rural communities often find themselves failing too, because they do so well that they lose their rural character and they become what Andy Isserman, a speaker at the conference, called "formerly rural." It occurred to me at that time, and has bothered me

for a long time, that we need policies that protect ourselves from the successes as well as the failures. And especially if we have a good policy, or good set of policies, that lead more communities to succeed, we have to protect them from losing that which we were so anxious to create. It occurs to me listening to you, Stan, that maybe this theme of place and changing our focus from sectoral concerns to place concerns will allow us to see in rural communities what we valued in the first place, and allow us to protect ourselves from simply going so far that we destroy the values of rural in our quest for prosperity. I'd like to hear what you think of that idea.

**Tom Martinez, Jr., Trinidad, Colorado:** I'm with Economic Development. I may have more comments than a question, but I do have any underlying question here, especially since we have the international speakers. Fabrizio, Richard, and Stanley, I appreciate your comments. In our particular community, we were devastated when the mining industry left us five years ago. Now we have learned that another industry has moved into our county and into Colorado, for that matter: coal methane gas. We don't want to depend on one industry anymore, so we are going to diversify. We are planning at Coeur d'Alene and working with other counties besides our own. At the local level, we have a Main Street and a Commercial Street in our particular retail area in downtown historic Trinidad. Our Main Street group has segmented the retailers from Commercial Street. How do you get these retailers to get together? For example, when the Main Street groups have a special event for fundraising for historical reasons, preservation, etc., the Commercial Street retailers say, "Why should I do anything, when the Main Street group helps Main Street retailers because of just the name?" How do we solve that with retailers?

**Mr. Drabenstott:** I hear four issues on the floor, Gentlemen. What role can community banks play in producing a better rural economic outcome? Is energy going to be part of a competitive advantage

for rural America or perhaps a competitive disadvantage? Will a shift to place as a policy focus allow us to think about not only overcoming rural failures but also protecting successes? And, finally, how do you keep all the retailers on board in any vision of rural futures? Stan, why don't you lead off?

**Mr. Johnson:** On the issue of banks, I am aware of a study that looks at banks and makes an analogy with ecosystems. Which institutions are the keystones in the economic "ecosystem" on Main Street? It turns out one keystone is the bank, because the bank reaches out into all aspects of the community.

Much of the energy that we can produce in rural areas requires a subsidy to exist. If we internalize some of the environmental externalities associated with nuclear and fossil fuels, there is a good chance that energy will be abundant in rural areas.

On the idea of place, places have to differentiate themselves. If, in the process of making yourself an attractive place, you lose your differentiation, you will lose the competitive advantage that you have. You have a product, which is the quality of life. It is different than the quality of life in other communities. If you have that product and it is predictable and it is there all the time, it works the same way as it does in the product market. People buy it and want it, because they know exactly what they are going to get.

The last issue is a tough one. My focus in Trinidad would be on the fact that the people who are going to come to that community like variety. The Main Street stores together with the Commercial Street stores give a variety that isn't there if one or the other of them go away. It is an idea of value creation. If they cooperate, they can create value that they can split in some way that will leave them better off than if they didn't cooperate.

**Mr. Wakeford:** On the last point, there are many examples in the United States of retail communi-

ties—and you define the community—there are many examples in the United States of communities of interest coming together. It seems to me the group who doesn't want to come in needs to understand what will happen to them if they don't come in. There is plenty of good practice to be seen and I've been impressed at the other end of the scale by what Philadelphia has managed to do for its downtown over the last 15 years. It is largely based around a special district in which the landowners realized that, unless they got together and actually did something collectively, then there would be no business in downtown Philadelphia and there would be no property value either. That was the threat to them. But you know about that better than I do.

In Britain, on the point about banking interest, we have far fewer banks than you have in the United States. That is partly because of the way in which the heritage in the States has been to keep banking fragmented, as I understand it. There is an element that leaves gaps. That is why there is a role for credit unions. It is also why the central government runs with the four main banks, a scheme called the Small Firms' Loans Guarantee Fund. If the banks don't play ball, then they have difficulties. That is the advantage of your having fewer big banks and especially if you are a government that has a record of imposing windfall taxes on infrastructure providers who don't play ball.

On the energy point, I have two observations. Most European nations now don't plan to meet the demand that is forecast. I don't want to get into the much broader difficulties that have been imposed on the international scene by this country's decision not to ratify the Kyoto Protocols, but in terms of the rural communities, I think there is an important read-across here. I don't know how many jobs there are in Wyoming as a result of the large-scale extraction of coal from Wyoming once the investment has been made in terms of the amount of energy that is produced. I don't know how many jobs there are per ton of coal extracted. I suspect that it is relatively

small, compared with what we are now promoting, which is a wide range of community-based energy schemes: combined heat and power, making use, for example, of waste wood products, looking to use wind generation for isolated locations, not least because then you don't need the cost of putting wires up over great distances. There is an awful lot happening in a small way, which in our agency we reckon has a lot more to offer rural communities than major power stations of the kind that we may still be building in order to go some way toward meeting the demand.

**Mr. Barca:** Very briefly, the point about place differentiation is brilliant. From that, all I can add is that once you find out what the differentiation is that is the potential comparative advantage that you have, then you build over it, you invest in it, you have innovation, and then you find a way to have a long-term project, meaning a sustainable differentiation.

Traveling as a tourist through rural America, which I have done in the past and I hope to do again, you notice failure and successes from this point of view. There are areas, which are certainly quite obviously not exploiting their differentiation by falling into standardizing what they have and making it extremely seamless from another 10 or 11 places where you have already been. That actually applies to retailing.

There is a crucial link that has been investigated by someone called Brooks back in Italy, which is that you need differentiated retailing in order to have differentiated manufacturing production or add-ins in production of craftsmanship. You need to have an incentive and a structure in place. They will enhance the differentiation and the comparative advantage of that area. As I say, the trouble with the United States is that you see areas where that has been successful and areas where you wonder, "I've already seen that."

**Mr. Drabenstott:** Let's take our next round of questions.

**Tami Lichtenberg**, *Avera Rural Health Institute, Sioux Falls, South Dakota*: I appreciate the opportunity to be part of a conference like this. It gives us in healthcare a different point of view. Unfortunately, you have only heard healthcare mentioned as a partner once in a day and a half. I urge you not to forget your rural healthcare as partners in alliances—strategic or otherwise. We are struggling with some of the same kinds of changes. We have had to become experts in resource allocation. We have had to bridge this digital divide to stay competitive. We have a lot of knowledge. I urge you not to forget us and to keep bringing us to the table before it becomes a critical issue.

**Charles Moyer**, *First National Bank and Trust, Phillipsburg, Kansas*: All of us know that we have new agricultural policy coming up in the future. I think that we should maybe see if we rural Americans can come up with policies to be incorporated into our new farm program to ensure value in rural America. I'd like Stanley to comment on that, and maybe the others as well.

**James Spehar**, *Rural Resort Region*: I'm part of the Colorado contingent. I am a local elected official, and I spent the last six or seven years professionally helping local governments primarily deal with regional issues. I am struck by one of the first and one of the last things that we heard here. First, the issue of how much of our resources are spent in essence protecting what Stan has suggested are failed or failing policies as opposed to inventing new ones. And I'd like to echo my fellow Coloradoan Tom Creighton's question, "Is there any chance at all that any of this is going to work?"

In between those two comments there was a lot of discussion on structures and mechanisms and the rationale for why these things need to happen. It seems to me in a day and a half we have ignored the real question, which is the political question—How do we create the will to make this happen and how do we deal with the constituencies for these failed or

failing policies in bringing them forward to new ways of thinking?" The reality is that if we don't deal with those political issues, we either prolong our mission or compromise our chances for success. I'd like to hear some comment on that.

**Mr. Drabenstott**: Okay, three very good questions: The last two have a common thread. Can we pour rural policy into a Farm Bill bottle? If so, how do we do that? The last question takes us right back to where we started yesterday—Why do we care about rural America? How do we create the will among the majority in the suburbs to undertake a new policy approach in this country? Fabrizio and Richard, you might be thinking about how that will was created in your respective countries.

Then, let's go to a separate question—What is the role of rural healthcare as we think about the overall rural policy mix? Stan, do you want to lead again?

**Mr. Johnson**: I didn't mention rural healthcare, or in fact other services, because I was trying to be brief. Clearly, good healthcare is an attribute of a community you would want to live in. You can't have deteriorating social services in your community. In fact, those things are a lot easier to do something about than making mountains in your community. As we focus on places, and as we focus on attributes of places, the services and efficiency with which the services can be provided and the quality of the services are important elements in differentiating communities. Healthcare is right in the center of all those.

On the new Farm Bill, there are some ways that communities might be able to intervene. I am not sure the Farm Bill is the only piece of legislation that rural communities should be active in. One of the ways that might be looked at was suggested by Mario yesterday in our looking at the European settlement, essentially saying, "This much money is going into agriculture and rural communities. Let's make a deal with the rural communities that the amount of

money coming into the communities will stay the same.” And, let’s ask for a differential allocation of that money that would proceed over time from being industry focused to being place focused. Many rural communities, when you talk about getting rid of agricultural subsidies, are reluctant to make that move, and so are the farmers because they don’t see anything coming in its place. If you could make a deal that something comes in its place, which actually brings the same transfers to the communities, that could be an important part of rural policy.

How to do this? There is a growing rural caucus in the House and Senate in the United States. I think it has about 150 members right now. They don’t know quite what to do. They know something is wrong in rural areas. They are looking for ideas about things to do. I see that caucus as an opportunity to intervene with a new piece of legislation or to look across existing pieces of legislation. It might be an organization that could broker such a deal with the commodity and farm associations.

**Mr. Wakeford:** I think it has taken a crisis finally to get us to feel on the verge of reinventing rural policy, as distinct from having yet another farm bill, if I can make the parallel. Over the course of the last four years of this Labour government, there has been a succession of farming crises. Each time the National Farmers Union has gone to Downing Street, it has come away with nowhere near what it wanted, and each time it has come away with far more than the Treasury wanted. It has left Tony Blair wondering what to do next.

There is also a lesson about politics. It was mentioned yesterday about the Cork Declaration, which is about rural development, about bringing all those elements together—the community, the social gain, the economic gain, as well as the environment. That was supposed to be the basis of the common agricultural policy reform. It failed to get through the rounds of the Council of Ministers and eventually European leaders, because other things were politically more

important, which only goes to show how perverse certain things are. Logic doesn’t always win through.

We have a jolly good rural White Paper at the moment. Copies of it are available through networks. You can use, by the way, our organization’s web site is on this Countryside focus. Copies are outside, if you haven’t already picked one up. Take it away. It has different points of access.

How did we get a rural White Paper? We got a rural White Paper because the government in its last manifesto said it was going to give MPs a free bill vote about whether to ban fox hunting. What it stimulated was a huge, not-for-profit organization funded by some large landowners, who wanted to prevent fox hunting from being banned. They set up the Countryside Alliance to fight the government on this. Over the last four years, because the government has never actually brought it and dealt with it satisfactorily, it just rumbles on behind the scenes. The government keeps being accused of not understanding the countryside. It can’t, because otherwise it wouldn’t be pursuing this manifesto commitment about fox hunting. All the way through the four years, rural issues have been on the agenda as a result of fox hunting, and fox hunting commitments given by a government that already felt vulnerable because it didn’t understand rural issues. Labour after all is mainly a party of the urban areas. A number of people have actually—I was going to say exploited—but when I talk about the Countryside Agency I suppose I should say *capitalized on* that debate to raise rural issues up the agenda.

When John Prescott decided he would have an urban White Paper, because the towns and cities of England still require investment, very shortly afterward, he had to announce that there would be a rural White Paper too, because otherwise it would have looked as if he didn’t care about the countryside. The reason why he had to be worried about that was because there were bodies out there saying, “You don’t care about the countryside.” And he had to keep saying, “Yes, we do.” In the final stages, when

the rural White Paper was going through without sufficient funds to achieve something, in the last stages we were able to get money into that rural White Paper. We did it with the full agreement of the urban majority.

There are village initiatives that we are starting, as a result of that rural White Paper. We could not have done that without fox hunting, without the countryside's march on London (in which more people marched across London than have ever been seen before—all stimulated by fox hunting). A number of us actually saw how we could hook ourselves to that.

I can't tell you how you can do that in the United States. In France, they drive tractors through Paris and put manure on motorways and shut the Channel Tunnel. In England, we do things in a different way. Gentlemen march through London. What do you do in the United States? That to me is the way that politics are moved forward and not by the rational discussions of the kind we have here.

**Mr. Barca:** Back again to the issue of "from here to there." I'll give you an example from the Italian side. The theory is clear. It does help with rationalizing *ex post* what has already happened. The theory tells us, as in the game, there are market equilibriums. So what is at the end of the game is what politics is all about. It is the only tool that can actually move an equilibrium from one point to another by making everybody believe, by altering expectations. That is what politics is about.

There is no doubt that you cannot move from the failing box of noncooperative to the succeeding box of cooperative, using the same tool to describe them. The super game of politics obviously applies at the higher level. You cannot move it unless you resort to politics. The case for politics has been stated quite clearly in this country by Paul Krugman. It involves presenting a credible prophecy.

You have to be a prophet, because you have to convince people to move out of their habits, away from what they have seen as the only thing that can be done, to realizing that things can be done another way. We can achieve and protect our well-being through an alternative policy. But it has to be credible, because otherwise you have a tremendous flop and you actually go backward. This is a theory.

If you look at what happened in my country, you can see that there was a shock. It was a quite strong shock. Suddenly we had to increase taxation. We didn't have enough money to put into the south. We were channeling an enormous amount of money through state-owned enterprises in the south. We could not do that because of Europe. Because of Europe, we were incapable of doing it ourselves, so we had to join the European process. That is why we are so pro-European. Not that we don't see tremendous problems that come out of the bureaucracy in Brussels, but because we had to tie our hands behind our backs. Fine, we did that and there was no more money to pour into the south. As I said, the south was out of the picture for four or five years.

Was there consensus about definitive policy? No. There was actually consensus about keeping the old policy and slowly reverting back to it—toward the old sectoral policy down to Rome. Quite obviously, you control your constituencies by being the guy who can move the money from Naples to Palermo. It is easier than moving out. So what happened?

What happened, you could say, is we found a leader—the very same guy who presided over the process of making it possible for Italy to join the Monetary Union. Mr. Ciampi, who is now head of the republic, who was the prime minister and finance minister, is the very same guy who decided he wanted to embark on a new development policy.

Is it possible that a leader, a technocrat coming from the central bank, actually being governor there for 12 years, suddenly has the power to move away

and build a credible prophecy? Well, not really. But he managed to do some things and some results are on their way. We'll see.

New constituencies had come about through the 1990s at a local level, had developed alternative approaches—the kind of things we have discussed today. As I said before, they were not brought forward for the first time in Rome. They came out of several little territorial pacts and little local agencies that slowly turned into a movement. There were a patchwork of people who were talking to each other and then came a leader who was able suddenly to say, “We are not banking on that one-half of all resources. But we are using approaches of this kind—one-third of all resources available for public investment from now until year 2008 in all of the south.” That came out of the combination of a leader and a movement, and can come out through different ways. This is the way it came out in Italy.

**Mr. Drabenstott:** All right, one more round of questions.

**Myron Just, Minnesota Agri-Growth Council:** We are an umbrella group of producer groups, through processing and retail food and agriculture in the Midwest, in Minnesota particularly. I have a couple of comments, and then I'd be interested in a response. I am basing this on a rather enlightening conversation I had with a bunch of Danish farmers out in Jutland in Denmark a couple of years ago, after spending time over the years writing about the CAP and European agricultural policy and lots of visits with cooperative members over there.

A couple of thoughts: I like the international perspective you brought to this conference, but I think part of what I see may be missing in that is—What are the real drivers of this global change in the global market, global economy we are in today? This was really brought home to me by these Danish farmers. Let me preface that by saying that as consumers we all now have global tastes and we love it. We will

probably go home tonight and say, “Should we eat Chinese, should we eat Greek, should we eat Taiwanese, should we eat Italian?” You could go to any food court or probably down the street and pick any one of those.

What this tells us is that we all love the tastes that we have and the choices that we have, but we abhor the competition when it comes to our own jobs, our own production. I know, I happen to have a farm in North Dakota.

These Danish farmers really brought this home to me. We were sitting there having dinner and a few beers and they said to me, “You know, we really are puzzled by you farmers back there in the Midwest in the United States. You seem so perplexed by what is going on in the world today. A hundred years ago, our ancestors went to America (our ancestors, mind you) and settled the Midwest, and you broke up hundreds of millions acres of land and you shipped all that grain back here—the wheat and the corn—and you broke our markets and caused a depression here early in the century. We had to go to value-added a long, long time ago, because we couldn't compete with you in producing grains. So, we had to figure out ways to produce Danish pork and ham and distribute it all over the world, sell beer instead of barley, sell starches instead of grains. Now the Brazilians are doing it to you and to us. In the Mato Grosso area of Brazil or in Argentina they may break up, not rain forests, but hundreds of millions of plains area there. The world is going around and we need to evolve with it.”

The point I am getting to, and I am interested in your reaction, is one that I think underscores the point that Karl Stauber made at the outset—How do we in rural America or in rural areas play to our competitive advantages and resort to that rather than protectionism to retain the status quo? And how do we find ways to keep viable communities in the realities of this kind of global world? That is what I am interested in sharing with you, but I am interested

in the panel's reaction to how we respond to those kinds of global realities.

**R. J. Baker**, *Northern Great Plains RDC, Cherokee, Iowa*: I am a local economic developer. As I look around this room, I see what we affectionately refer to as "the usual suspects." We are here to try to stay ahead of the curve. As we found out a few weeks ago from the final numbers on the census, that curve is getting steeper. We try to go back home and bring along our elected officials to the point where we are in our newly acquired knowledge, but there is a disconnect. It is not only with the local officials, it is with the state-elected legislatures. My request to both the Federal Reserve Bank and to Stan's compadres in his work is to have some conferences specifically for elected officials, to bring them along, and to—as Fabrizio said—administer the shock and try to move the whole program forward. Thank you.

**Wayne Fawbush**, *Vermont Sustainable Jobs Fund*: I am curious. We have spent a day and a half now in a fairly interesting discussion and a number of the summaries are all coming up that we are actually operating this country and spending a lot of money with what is tantamount to a failed policy in relation to rural America. When we leave this, I know a number of us are going to go out and look for the next practical step to take. For many of us, that is the Farm Bill. I am wondering if that is the right vehicle at this point in time. I would like to hear the comments from the panel as to whether or not you would encourage those of us who are interested in change to address that through the Farm Bill with the attendant issues that raises in trying to chip away at a vested interest. Or, should we look at a new vehicle that doesn't immediately challenge the status quo but begins to try to build another vision?

**Mr. Drabenstott**: Three very good questions. How do we discover competitive advantage in rural America and how do we know when we have found it? The second question is—to borrow Karl Stauber's analogy yesterday—How do we take this message

not to the choir but to the congregation and, to extend it still further, perhaps to the bishops and deacons? And finally, a very good question—If we were to take away what we have heard this last day and a half, what is the next best step that you might recommend we think about?

**Mr. Barca**: The first and the last: I fully agree. If we take a global picture, we can say that what has taken place in the last 10 to 15 years have stemmed from two factors, one on the demand side and one on the supply side. On the demand side, certainly the increase in per capita income of industrialized countries has increased demand for private differentiation. The point was made about wanting to buy products by their place of origin, because "place" makes them unique. Your comparison between place and product was absolutely obviously appropriate. This taste for differentiation is what is making viable policies that would have been less viable 20 years ago. There is something in the global change.

At the same time, on the capital side, you are going back to a higher mobility of capital. There used to be mobility of capital taking place in an imperial world with the UK at the center. Today you have global capital mobility in place that is mostly a democratic world. So, capital can move out of areas very fast. You have in a sense a chance for providing a demand for privatization. And that compels products or savings or whatever financial arrangements you have to move out. And, the first people to move out would be the people who have the savings. They themselves will not want to invest in the areas where they live. That is actually a risk that is taking place in the south of Italy, where people themselves are coming out of debt—and national debt is likely going down—these people are now wondering if they should invest in the areas where they live. So they might be demonstrating for more public health intervention in the south. But when it comes to their private decisions, they want their capital invested abroad if they do not believe in a credible prophecy.

This combination of the two in a sense allows the push and the chance for a shift to take place.

On the last point, I cannot answer. In Italy, we certainly took a round-about way from the point of view of rural policy, because the plan I have described to you is not the plan for the allocation of agricultural funds. This is the plan for a locational structure of funds that in the past had mostly gone to urban areas and had gone into infrastructure and, most of all, they had gone into incentives. Between 45 and 50 percent of all this money had gone in the past to incentives, mostly to manufacturing firms, partly to agricultural firms.

What we did, without challenging the agricultural policy, without affecting Italy, was to make the point that in order to invest profitably the structural funds coming from the new program must be invested much more in national parks, in cultural parks, in rural areas, in developing and enhancing place-related products, and so on. You might want to say that was not a direct challenge. Yet, it would appear that using the money appropriately sends the message that an alternative policy is feasible, and that in due time might directly influence the funds which are currently aimed at agriculture.

**Mr. Wakeford:** I think that the driver in this competitive world, which is the United States, has to be communities that are succeeding. My organization innovates, runs demonstration projects. Under a new concept called Beacons, we take 20 market towns in England and they become beacons, because they are doing well in different respects, and others can look at them and say, “Why can’t we be like that?”

I think the way to make progress at the local level and the state level is to say that within this state, this place is succeeding and this place isn’t succeeding. And you go to the place that isn’t succeeding and say, “Can you find the resources within this community which could enable you to succeed?” That

has to be a practical way of starting, rather than from the top. There is some hint of success in this in that there is terrific patronage in the United States about U.S. products. I was going to give you two examples but there are lots of them. I think that if you look at the tee shirts you can buy all around the world that say, “My dad went to London and all he brought me was this lousy tee shirt.” Actually, in places across the world, wherever you go, the shops are the same. About the only thing different is the stamp that is put on the tee shirt. I am sure the shirts here are still made in Taiwan, they just have “Kansas City” on them.

In the United Kingdom, one of the major supermarkets was very surprised to find that number five in its list of complaints from consumers—after car parking and shopping carts that don’t go straight and all those things that worry people—number five was, “Why can’t we buy local products here?”

In Cornwall, where they grow very good potatoes, they were very upset to get potatoes from Lincolnshire, because they knew they were growing potatoes in Cornwall. They were being shipped to some central washing plant and packed to go somewhere else. Meanwhile, potatoes that were being bought from Lincolnshire were being packed and sent to Cornwall. Tesco, which is one of the main supermarkets—there are only four of them and between them they hold 70 percent of the food distribution of the retailing sector—have now set themselves a challenge of raising the proportion of locally sourced goods from 1½ percent and aiming for between 10 and 15 percent—an enormous change in order to respond to what they see as a way of making profits by appealing (because that is all they want to do) to consumers who want to buy things that are the products of local areas. Take some pride in your rural community and get some of those products back in. What that then does is put pressure on those local communities not to produce just the basic agricultural foodstuff that is shipped off somewhere else

for processing but actually add the value locally. That is how you get jobs into the rural areas.

If it succeeds, I welcome what will actually result in a substantial niche market. But it will be more than a niche market if it gets to 10 percent of local food production. Of course, we are all eating the different takeaways from different cultures and so on. How many of them come from those different cultures or not I don't know. The newspapers in the UK were overjoyed when we started exporting spaghetti to Italy. It is only a relatively small element, but in the main I think there is a great deal of potential there if you can get communities to own what is good about the place around them and to understand those markets.

On the farmer question: Do you tackle it through a farm bill or through some new vehicle with some vision for the future? The answer has to be both. Leaders in this nation have to identify a vision for the future of rural America. It has to be a future that embraces the whole rural economy and communities of rural America. The two are indivisible. What's more, it has to embrace the environment of rural America as well, because that is increasingly important. It is one of the big differentiators. Those things are indivisible. Leaders have to identify that vision. Then, your farm bill—is that taking you on the first step toward that? If not, why not? When that one doesn't get you all the way, because it won't, where is the pressure for the next one? Leaders need to be saying, "Here is the vision and this is where we are aiming to go." Rather than, this is this year's, and then we will go there this year, and then we will go there, and so forth. You won't get to where you want to go if you don't actually have an eye on where you want to go in the long-term future.

**Mr. Johnson:** I will be brief. I agree with Myron about the differentiation of products. We are in exactly the situation you described. We are not very competitive in the commodity end of agriculture and we need to get in the other end. Big changes are

implied, reaching to such things as our school lunch programs, in which we dump commodities and train the palates of our young people not to want very much variety. So there is a lot of opportunity.

One other observation is that we have used electronic marketing, mainly in ways that are simply using old mechanisms—we use E-bay to auction, we use bulletin boards. These market mechanisms have been around for a long time. There are other opportunities from the cheapness of information that would make for much more variety in terms of the food supply and increase the scale of these local operations so they could achieve some economies.

On the next steps, which were the last two questions, I agree with the previous speakers: Be pragmatic, take your chances when they come, but I think it might be time, given the talk we hear here and the talk we hear in states like Iowa, for some kind of a national dialogue on rural policy. Maybe getting something like that in the Farm Bill with the support of the rural caucus and having communities go through a visioning process—and not just a visioning process but the construction of some kind of a road map that would get them from where they are to where they want to be—this could be something that would build the political will in the country to undertake some of these difficult problems.

There is an old saying that all politics is local. If the local politicians are a part of this process and it is a viable and credible process and the problems we have talked about here are evident in the rural communities, the politicians will get on board pretty fast.

**Mr. Drabenstott:** Ladies and gentlemen, let's give our thanks to our morning panel. Let me offer my personal thanks to all our presenters for the wisdom they have shared, and for the vigor of their presentations. And to all of you in the audience, who have helped make our discussions so lively, thank you all very much.